

Internal Revenue Service

District Director

Department of the Treasury

P.O. Box 2508  
Cincinnati, OH 45201

Person to Contact:

Telephone Number

Refer Reply to:

Employer Identification Number

Date: MAR 21 1987

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(7) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120 if you are a corporation or an unincorporated association.

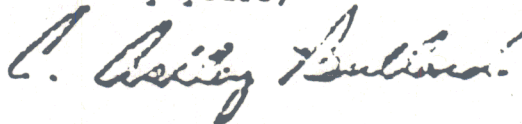
If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

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If we do not hear from you within the time specified, this will become our final determination.

Sincerely yours,



C. Ashley Bullard  
District Director

JM  
Enclosures: 3



Enclosure I

[REDACTED]  
[REDACTED]  
[REDACTED] had filed it's Articles of Incorporation with [REDACTED] and was recognized as incorporated by the Secretary of State's office as of the effective date [REDACTED]

Article IV of the creating document stated that "the Corporation is organized for the following purposes;

- (a) A Nonprofit Corporation for the support of [REDACTED] over the Country.
- (b) Also, for the support of [REDACTED] at [REDACTED]
- (c) Also, for the support of [REDACTED], working under the jurisdiction of [REDACTED]
- (d) In the event of termination and/or dissolution of the Corporation, all assets to be liquidated and the proceeds distributed to the [REDACTED]

Your application Form 1024 listed the only membership criteria was to become [REDACTED].

The application you submitted stated that your activities were to "accept donations to support [REDACTED] across the country". To "use direct solicitations, gifts and fund raisers of all sorts", and that "all money collected goes to the support of these Hospitals to enable medical care for Children who may not be able to afford care".

In your response dated [REDACTED] to clarify your activities you stated that "[REDACTED] has been formed in order to hold title to a building housing its parent". "A used metal building has been donated at this point, but no property has been acquired to reconstruct the building."

Further clarification of the activities for [REDACTED] were described in your letter dated [REDACTED]. In that letter it was stated that "[REDACTED] is only to be a title holding organization for [REDACTED] will not conduct any profit making activities under it's own name, any activities for the [REDACTED]



Enclosure I, continued

[REDACTED]  
[REDACTED]  
is conducted under the [REDACTED] which is the parent that will hold its meeting in the building owned by [REDACTED]. It was also stated in that letter that the [REDACTED] is operating under [REDACTED] in [REDACTED] and that the [REDACTED] has no Federal Employer Identification Number.

Your letter dated [REDACTED] stated that the only financial commitment for [REDACTED] was the yearly insurance payment for a [REDACTED] used as a parade vehicle and is the property of [REDACTED]. It was also stated that no plans for income producing events are in the works.

You had originally applied for exemption under 501(c)(10) as a Domestic fraternal society.

Section 501(c)(10) of the Internal Revenue Code as changed by the Tax Reform Act of 1969, provides for the exemption of fraternal organizations operating under the lodge system.

Section 1.501(c)(8)-1 of the Income Tax Regulations defines "operating under the lodge system" as carrying on its activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters, or the like.

On Schedule E of the application Form 1024 you indicated that your organization does not operate under a lodge system. Therefore, [REDACTED] would not qualify as exempt under section 501(c)(10) of the Code.

You indicated in your additional correspondence that [REDACTED] is a title holding organization for the [REDACTED]

Section 501(c)(2) of the Code provides for the exemption of corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under section 501(a) of the Code.

Enclosure I, continued

[REDACTED] is not organized for the exclusive purposes required by section 501(c)(2) of the Code; and does not collect income and turn over any amounts less expenses to any organization that is exempt under section 501(a) of the Code.

Your application was changed to indicate your request to apply under section 501(c)(7) of the Code.

Section 501(c)(7) of the Code provides for the exemption from Federal income tax of clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Regulations states that the exemption provided by section 501(a) of the Code for an organization described in section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inure to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

In Revenue Ruling 70-32, 1970-1 C.B. 132, exemption under section 501(c)(7) of the Code was denied to any organization because there was no significant commingling of its members.

Revenue Ruling 69-635, 1969-2 C.B. 126, states that in order to qualify for exemption under section 501(c)(7) of the Code, a commingling of members must play a material part in the activities of the organization. Exemption under section 501(c)(7) was denied because there was no significant commingling.

In Revenue Ruling 55-716, 1955-2 C.B. 263, exemption under section 501(c)(7) of the Code was denied to an organization because of the absence of fellowship within the organization.

Enclosure I, continued

[REDACTED]  
[REDACTED]

Based on the above facts and upon the applicable law and precedent, [REDACTED] fails to qualify for exemption under section 501(c)(7) because it lacks the necessary commingling and fellowship within the organization that is required under section 501(c)(7) of the Code. Your organization's activities are similar to those described in Revenue Rulings 70-32, 69-635, and 55-716 and therefore, we are denying your organization's request for exemption under section 501(c)(7) of the Code.



## Consent to Proposed Adverse Action

(All references are to the Internal Revenue Code)

OMB No. 1545-0047

Case Number

Date of Latest Determination Letter

Employer identification number

Date of Proposed Adverse Action Letter

MAR 21 1997

Name and Address of Organization

INTERNAL REVENUE SERVICE  
CINCINNATI, OHIO

APR 2 1997

RECEIVED  
EP/EO DIVISION

I consent to the proposed adverse action relative to the above organization as shown by the box(es) checked below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc. applies, I have the right to protest the proposed adverse action.

## NATURE OF ADVERSE ACTION

- ☒ Denial of exemption
- ☐ Revocation of exemption, effective
- ☐ Modification of exempt status from section 501(c)( ) to 501(c)( ), effective
- ☐ Classification as a private foundation (section 509(a)), effective
- ☐ Classification as a non operating foundation (section 4942(j)(3)), effective
- ☐ Classification as an organization described in section 509(a)( ), effective
- ☐ Classification as an organization described in section 170(b)(1)(A)( ), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgment under section 7428.

(Signature instructions are on the back of this form)

Name of Organization

Signature and Title

Date

3-31-97

Signature and Title

Date